


**Government of the District of Columbia  
Office of the Chief Financial Officer**



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Vincent C. Gray  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer 

**DATE:** APR -1 2008

**SUBJECT:** Fiscal Impact Statement: "Compliance Unit Establishment Act of 2008"

**REFERENCE:** Bill Number 17-503, Engrossed Original

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**Conclusion**

As the proposed legislation would take effect subject to the inclusion of its fiscal effect in an approved budget and financial plan, *enactment* of the proposed legislation would not have a fiscal impact on the District's FY 2008 through FY 2011 budget and financial plan. Therefore, funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to enact the proposed legislation.

However, funds are not sufficient in the FY 2008 through FY 2011 budget and financial plan to *implement* the proposed legislation. Assuming an implementation date of October 1, 2008 (the first day of FY 2009), and as the structure and organization of the compliance unit is currently contemplated, implementation of the proposed legislation would not have a cost in FY 2008 but would have a net unbudgeted cost of approximately \$2,000,000 over the FY 2008 through FY 2011 budget and financial plan period.

**Background**

The proposed legislation would establish a compliance unit ("Unit") within the Office of the District of Columbia Auditor (ODCA) for the purpose of monitoring and reporting on compliance issues in real estate development transactions and agreements involving District subsidies. The proposed Unit would target those projects that were previously managed by the dissolved National Capital Revitalization Corporation and Anacostia Waterfront Corporation and

placed under the management of the Office of the Deputy Mayor for Planning and Economic Development.<sup>1</sup>

Specifically, the Unit would monitor and report on requirements related to: developer selection and performance guidelines; selection of goods and services; living wage laws; contracting with, and procuring goods and services from Certified Business Enterprises ("CBEs"); equity and development participation by CBEs; environmental standards; and affordable housing mandates.

The Unit would have the power to look at all contracts for completed projects, projects currently being developed, and projects developed after the effective date of this act. It would also be authorized to look at all of the following: relevant statutes and regulations; procurement documents including requests for proposals, requests for expression of interest, requests for qualifications, and responses; relevant budget documents; documents related to the payment of contractors; staffing schemes and position descriptions related to the project under review; and any other relevant books, accounts, records, reports, findings, and all other papers, things, or property belonging to or in use by the District government and contractor necessary to analyzing compliance.

The Unit would be required to submit an annual written report to Council at the end of each fiscal year which:

- a. Assesses the compliance and enforcement capacity of each District agency required to monitor and enforce requirements set forth in Section 2(b) of the Act, including the number of employees still needed to meet those requirements;
- b. Evaluates each project identifying relevant compliance requirements, such as which contract, procurement, or legislative mandates were met, or not met, and reasons for under-compliance or noncompliance; and
- c. Makes recommendations addressing problems with under-compliance and noncompliance with a goal of 100% compliance for all relevant contract, procurement, or legislative mandates.

The Unit would also be required to report bi-annually, and provide written and oral testimony to the Council, on the findings listed directly above at oversight hearings that are to be scheduled by the Council Chairperson at the request of the Unit. The proposed legislation would require the Unit to make public the record of any contractor found to be under-compliant or non-compliant after a correction period to be determined at the discretion of the Unit on a per project basis. In the event that the Unit's findings reveal under-compliance or non-compliance on a given project, the Unit would be required to report such findings to the relevant District agency's Director and Council Chairperson.

Finally, the proposed legislation would require the Unit to post annual reports and written testimony from bi-annual oversight hearings on the D.C. Auditor's website.

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<sup>1</sup> Pursuant to the National Capital Revitalization Corporation and Anacostia Waterfront Corporation Reorganization Act of 2008, signed by the Mayor on February 5, 2008. DC Act 17-289.

## Financial Plan Impact

As the proposed legislation would take effect subject to the inclusion of its fiscal effect in an approved budget and financial plan, *enactment* of the proposed legislation would not have a fiscal impact on the District's FY 2008 through FY 2011 budget and financial plan. Therefore, funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to enact the proposed legislation.

However, funds are not sufficient in the FY 2008 through FY 2011 budget and financial plan to *implement* the proposed legislation. Assuming an implementation date of October 1, 2008 (the first day of FY 2009), and as the structure and organization of the compliance unit is currently contemplated, implementation of the proposed legislation would not have a cost in FY 2008 but would have a net unbudgeted cost of approximately \$2,000,000 over the FY 2008 through FY 2011 budget and financial plan period.

The table and notes below describe in detail the cost of implementing the proposed legislation.

Unbudgeted Cost of ODCA Compliance Unit over Budget and Financial Plan Period					
	FY 2008	FY 2009	FY 2010	FY 2011	4 Year Total
Salary and Fringe Benefits	\$0	\$535,057	\$561,810	\$589,900	\$1,686,767
Furniture, Supplies, and IT Equipment	\$0	\$23,500	\$3,500	\$3,675	\$30,675
Rent (Including Utilities)	\$0	\$87,750	\$90,821	\$94,000	\$272,571
Training	\$0	\$0	\$15,000	\$15,750	\$30,750
<b>Total</b>	<b>\$0</b>	<b>\$646,307</b>	<b>\$671,131</b>	<b>\$703,325</b>	<b>\$2,020,763</b>

### Table notes and assumptions:

- Costs reflect the structure and organization of the compliance unit as proposed by ODCA in a letter submitted by the District of Columbia Auditor to the Office of the Chief Financial Officer (OCFO) on March 25, 2008.
- Assumes 5 FTE's—Senior Compliance Analysts—at the DS-14 Grade level would need to be hired, with 18.5% fringe benefits and out-year salaries increased by 5% to account for Cost of Living Adjustments (COLA).
- Assumes one time (non-recurring) IT hardware, software, and furniture costs would be \$4,000 per employee; and that one time funding for office supplies would be \$3,500 total. Also assumes that out-year costs for IT hardware, software, furniture, and supplies would be \$3,500 per year beginning in FY 2009, and that such costs would increase by 5% in the out-years.

- Assumes that 2,250 square feet of additional office space at the current ODCA building would need to be leased to accommodate the Unit (including storage space requirements), at a rate of \$39 per square foot, which is the cost per square foot at the current ODCA building. This rent amount includes utilities and security, and out-year costs are increased by 3.5% to account for inflation.
- Training costs account for Continuing Professional Education (CPE) coursework, which ODCA requires to maintain compliance with Government Accountability Office (GAO) Yellow Book standards. Annual training costs include 5% cost increases.